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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION

VERIGY US, INC, a Delaware Corporation

Plaintiff,

vs.

ROMI OMAR MAYDER, an individual;
WESLEY MAYDER, an individual; SILICON
TEST SYSTEMS, INC., a California Corporation;
and SILICON TEST SOLUTIONS, LLC, a
California Limited Liability Corporation,
inclusive,

Defendants.

Case No. C07 04330 RMW (HRL)

**MEMORANDUM OF POINTS AND
AUTHORITIES IN OPPOSITION TO
DEFENDANTS' MOTION FOR
SUMMARY ADJUDICATION AND FOR
MODIFICATION OF PRELIMINARY
INJUNCTION**

Date: September 5, 2008
Time: 9:00 am
Ctrm.: 6
Judge: Hon. Ronald M. Whyte

Complaint Filed: August 22, 2007
Trial Date: None Set

AND RELATED CROSS ACTIONS

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Plaintiff, Verigy US, Inc. (“Verigy”) respectfully submits the following brief in opposition to the motion for summary adjudication of Verigy’s 9th Claim for Relief under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and for modification of the preliminary injunction brought by defendants Romi Mayder (“Mayder”), Wesley Mayder, Silicon Test Systems, Inc. (“STS”) and Silicon Test Solutions, LLC (collectively “Defendants”).

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Defendants’ instant motion has three distinct parts, each of which is without merit. Defendants seek: (1) summary adjudication on Verigy’s Lanham Act cause of action; (2) what amounts to an advisory opinion, styled as a request for summary adjudication, that information in certain public documents cannot constitute Verigy trade secrets; and (3) to vacate the preliminary injunction, apparently based on Fed. R. Civ. Pro. 60(b), which allows the Court to grant relief from an order under certain limited circumstances.

The crux of Defendants’ motion is their attempt to “modify” the existing injunction out of existence and, in its stead, install some type of escrow account in which they will put 15% of all of STS revenues – derived from “sales” of a non-functional chip that cannot be sold to anyone for several months. Given this focus, Verigy’s opposition will address Defendants’ “modification” argument first.

As will be demonstrated in greater detail below, the modification motion is a merely an attempt to re-litigate matters previously submitted to and properly decided by the Court. Defendants’ motion never even mentions Rule 60(b), articulates the applicable standards, or addresses those standards with evidence or cogent argument. In short, the motion contains no new facts, law or extraordinary circumstances to justify the drastic relief requested, and nothing whatsoever to justify relief under any of the grounds set forth in Rule 60(b).

Defendants’ motion for summary adjudication of Verigy’s claim under Section 43(a) of the Lanham Act argues that Verigy is required to have created a product that Defendants sold as their own, which Verigy has not alleged. However, the law cited for this proposition has no application to the false advertising portion of Verigy’s Lanham Act claim and Defendants’ authority regarding

1 “bodily appropriation” is distinguishable where, as here, the trade secret design from which
 2 Defendants’ product was derived essentially *was* the product. Defendants’ request for summary
 3 adjudication regarding the well-settled principal that public documents cannot constitute trade
 4 secrets is superfluous and inappropriate in this context because Defendants’ have failed to present
 5 any analysis establishing that those “new” references fully disclose any particular Verigy’s trade
 6 secret. In fact, the references are essentially cumulative of evidence previously submitted, were
 7 almost entirely available prior to the preliminary injunction hearing and, with but one exception,
 8 are dated after Defendants’ principal acts of misappropriation occurred.

9 Accordingly, each of Defendants’ motions should be denied.

10 **II. STATEMENT OF ISSUES**

11 1. Whether Defendants’ motion to vacate the preliminary injunction which seeks to
 12 re-litigate issues argued previously should be denied as untimely under Fed. R. Civ. Pro. 59(b)?

13 2. Whether Defendants’ motion to vacate the preliminary injunction which sets forth
 14 no new facts, law or circumstances justifying the extraordinary relief requested should be denied
 15 under Fed. R. Civ. Pro. 60(b)?

16 3. Whether Defendants are entitled to summary adjudication in their favor on
 17 Verigy’s Ninth Claim for Relief for violation of the Lanham Act §43(a), 15 U.S.C. §1125(a)?

18 4. Whether Defendants are entitled to summary adjudication that information
 19 contained in the references, consisting of various patents and patent applications, attached to the
 20 declaration of Richard Blanchard filed July 10, 2008 (Docket No. 262) cannot constitute Verigy’s
 21 trade secrets?

22 **III. RELEVANT FACTUAL BACKGROUND**

23 **A. Defendants’ Modification Motion Seeks to Re-litigate Old Issues.**

24 As the following table makes clear, Defendants’ modification motion recycles the same
 25 arguments and evidence previously advanced in opposition to the motions for preliminary
 26 injunction and for a finding of contempt.
 27
 28

“New” Arguments	“New” Arguments in Prior Briefing/Oral Argument
Verigy’s Trade Secrets are publicly available and/or readily ascertainable and/or public customer specifications (Mot. at 17, New Blanchard Decl. <i>passim</i>)	<ul style="list-style-type: none"> Defendants’ Opp. Brief to Plaintiff’s Ex Parte Application (“Opp’n to Prelim. Inj.”), Docket No. 49, at 1, 9, 10, 11, 15-19 Mayder Decl. in Supp. of Opp. to Prelim. Inj., Docket No.55, at ¶ 31 Schneck Decl. in Supp. of Opp. to Prelim. Inj., Docket No.,56, <i>passim</i> Blanchard Decl. in Supp. of Opp. to Prelim. Inj., Docket No.53, <i>passim</i> Defendants’ Sur-reply in Opp. to Prelim. Inj., Docket No. 120, at 7-11 January 15, 2008 Transcript of Preliminary Injunction Hearing at 40-48 Opp. to OSC re: Contempt, Docket No. 138, at 4-5
The TRO and the documents named in it were unfairly marked Highly Confidential (Mot. at 4, <i>passim</i>)	<ul style="list-style-type: none"> Mayder’s Decl. I/S/O Mot. to Modify, Docket No. 261., ¶ 20 (admits he discussed this with his attorneys in conjunction with contempt proceedings) Mayder’s Decl. in Supp. Of Opp’n to Preliminary Inj. at ¶¶29-31 (admits he read the Leventhal, Lai and Lee Declaration Exhibits he now claims he never saw)
Materials in published patents can’t be claimed as trade secrets (Mot. at 10)	<ul style="list-style-type: none"> Defendants’ Sur-reply in Opp. to Prelim. Inj. at 8,15
The Contempt Order addressed actions not prohibited by the preliminary injunction (Mot. at 6)	<ul style="list-style-type: none"> Opp. to OSC re: Contempt at 13-14
No injunction because no irreparable harm (Mot. at 14-15)	<ul style="list-style-type: none"> Defendants’ Opp. Brief to Prelim. Inj. at 12, 20 Defendants’ Sur-reply in Opp. to Prelim. Inj. at 2, 15 Defendants’ Opp. to OSC re: Contempt at 13-14 April 11, 2008 Transcript of Contempt Hearing at 11
Additional time of injunction is inappropriate and is greater than “head start” (Mot. at 15-16)	<ul style="list-style-type: none"> Defendants’ Sur-reply in Opp. to Prelim. Inj. at 2, 16-17 Defendants’ Opp. to OSC re: Contempt at 1 April 11, 2008 Transcript of Contempt Hearing at 13-14, 18-19 January 15, 2008 Transcript of Preliminary Injunction Hearing at 93
Verigy is not currently selling this product (Mot. at 16)	<ul style="list-style-type: none"> Defendants’ Opp. Brief to Prelim. Inj. at 6 January 15, 2008 Transcript of Preliminary Injunction Hearing at 34-35, 51, 60
Money damages are adequate (Mot. at 16)	<ul style="list-style-type: none"> Defendants’ Opp. Brief to Prelim. Inj. at 11-12 April 11, 2008 Transcript of Contempt Hearing at 27-28
The TRO is vague, ambiguous and difficult to understand (Mot. at 17)	<ul style="list-style-type: none"> Defendants’ Opp. to OSC re: Contempt at 1-2, 6-10 April 11, 2008 Transcript of Contempt Hearing at 4-10
Extension of the Injunction harms the public (Mot. at 18)	<ul style="list-style-type: none"> Defendants’ Sur-reply in Opp. to Prelim. Inj. at 16 January 15, 2008 Transcript of Preliminary Injunction Hearing at 63-65, 90-93
Defendants will suffer monetary loss if injunction stays (Mot. at 18.)	<ul style="list-style-type: none"> January 15, 2008 Transcript of Preliminary Injunction Hearing at 66-67

B. The Evidence in the New Blanchard Declaration is Unavailing.

In support of their motion, Defendants have submitted the Declaration of Dr. Richard Blanchard (“New Blanchard Decl.”) with a number of “new” references, namely several patents, patent applications and one book excerpt, which purportedly demonstrate that plaintiff’s trade secrets are publicly available.

As set forth in greater detail in the declaration of Verigy’s own expert, Dr. Blanchard essentially recycles assertions from his previous declarations submitted in opposition to Verigy’s motion for preliminary injunction.¹ (*See* Wei Decl. at ¶¶4-17.) Moreover, the “new” references disclose merely (a) technologies that were discussed in prior expert declarations, (b) technologies that have little relevance to the [REDACTED] ASIC, or (c) certain general resource sharing mechanisms that may be similar to but do not embody the [REDACTED] ASIC design and do not contain sufficient detail from which its key features and functionalities could be ascertained or said to be obvious. (*Id.*) In addition, only five of the 21 “new” references have dates which are more recent than the final hearing date on Verigy’s motion for preliminary injunction, meaning they could or should have been identified and submitted before that hearing. (Wei Decl. at ¶18; *see* New Blanchard Decl. Exs. B, C, D, T, U.)

Finally, with one exception (dating from 2004), these references also post-date Mayder’s principal acts of misappropriation in mid-2006. (*Id.* at ¶¶6, 11, 16.) This mean that whether or not they are ultimately found to disclose aspects of the [REDACTED] ASIC design is irrelevant to whether that aspect was deserving of trade secret protection at the time it was misappropriated from Verigy.

C. Defendants’ ASIC Is Not Finished, Does Not Work and Cannot Be Sold.

Claiming it would provide “an equitable balance,” Defendants wish to supplant the existing preliminary injunction with an escrow account into which they will place 15% of the revenues of all sales of their product. Defendants wish to resume marketing that product

¹ Declaration of Wei Wei in Opp. to Defendants’ Mot. for Sum. Adj. and for Mod. of Prelim. Inj., dated August 15, 2008 (“Wei Decl.”)

1 immediately to everyone, including NOR and NAND customers, despite the fact they claim the
 2 product is only designed for NOR applications. (Mot. at 17:9-14, Cf. 19:6-11.) Unfortunately,
 3 Defendants' product just began Phase II of its development to fix several major problems which
 4 prevent it from working at all.² A timeline in the Phase II development proposal indicate that the
 5 product will be ready for shipment on December 12, 2008. (Stebbins Decl. at ¶4, Ex. B) Even
 6 assuming that timeline is correct (which appears dubious, given the major problems with the
 7 development apparently encountered thus far), there will be no revenue whatsoever to escrow until
 8 at least the approximate date of trial of this lawsuit.

9 **D. Additional Factual Discrepancies in Defendants' Motion**

10 There are more than a few factual discrepancies in Defendants' moving papers. A couple
 11 of the more egregious are discussed below.

12 In support of Defendants' current motion, Romi Mayder claims he was never able to
 13 review the exhibits to the various declarations filed in support of Verigy's motion for preliminary
 14 injunction because they were marked "Confidential – Attorneys' Eyes Only" ("AEO").³
 15 However, in the declaration he submitted in opposition to the motion for preliminary injunction,
 16 Mayder describes in detail his understanding of the exhibits to the Leventhal (Exs. A,B), Lee (Exs.
 17 A, B) and Lai (Exs. A-D) declarations, all of which were marked AEO. (See Mayder Decl. I/S/O
 18 Opp. to Mot. for Prelim. Inj., Docket No. 55, at ¶¶29-31.)

19 Dr. Blanchard claims that until recently he never reviewed the prior court orders, including
 20 the TRO. (New Blanchard Decl. at ¶¶4-5.) However, Mayder's declaration submitted in
 21 opposition to the contempt motion claims he had a "substantial discussion" with Blanchard after
 22 issuance of the TRO and Blanchard told him that his ongoing marketing and development
 23 activities in the Fall of 2007 were proper.⁴ Mayder's new declaration in support of this motion
 24 tries to fix this lie, claiming that the contempt declaration was "ambiguous" and that it was his old

25 _____
 26 ² Declaration of Michael W. Stebbins in Opp. to Motion for Sum. Adj. and for Mod. of Prelim.
 Inj., dated August 15, 2008 ("Stebbins Decl."), at ¶¶3-4, Exs. A, B.

27 ³ Declaration of Romi Mayder I/S/O Mot. for Sum. Adj. and for Mod. of Prelim. Inj., dated July
 28 10, 2008 at ¶¶5-10.

1 lawyers who him he could continue with his contumacious conduct and that, in any event,
 2 Verigy's counsel was to blame for being overly aggressive. (Mayder Decl. at ¶19.) Whatever the
 3 truth, none of this nonsense supports vacating the preliminary injunction.

4 **IV. ARGUMENT**

5 **A. Defendants' Motion To Modify Preliminary Injunction Order Must Be Denied** 6 **As Untimely Pursuant To FRCP 59(e).**

7 Defendants' moving papers fail to articulate any statutory or other legal basis for their
 8 motion to modify. Thus, the threshold question should be whether Defendants have brought an
 9 untimely motion for reconsideration under Fed. R. Civ. Pro. 59(e) or a timely, but nonetheless
 10 factually and legally unsupported motion for relief under Fed. R. Civ. Pro. 60(b).

11 The law is clear that "a motion that merely seeks to relitigate the issues underlying the
 12 preliminary injunction order is subject to Rule 59(e)'s ten-day limit, while a motion that in
 13 substance is based on new circumstances that have arisen after the district court granted the
 14 injunction may be filed at any time before entry of a final judgment." *Credit Suisse First Boston*
 15 *Corp. v. Grunwald*, 400 F.3d 1119, 1124 (9th Cir. 2005). Here, as set forth below, Defendants'
 16 motion is nothing more than an attempt to relitigate issues that have been reviewed and
 17 determined in the context of Verigy's motion for preliminary injunction and/or Verigy's motion
 18 for contempt of the TRO. Accordingly, Verigy respectfully submits that the proper standard under
 19 which to evaluate Defendants' motion is Rule 59(e).⁵

20 Rule 59(e) requires that any motion to alter or amend a judgment be filed no later than ten
 21 (10) days after entry of such judgment. Here, the Preliminary Injunction Order was entered on
 22 February 29, 2008, yet the instant motion was not filed until July 10, 2008, over four months later.
 23 Even assuming Defendants' motion can be characterized as a request for reconsideration of the
 24 Contempt Order, which extended the preliminary injunction by four months, the motion is
 25 nevertheless untimely as the Contempt Order was entered on May 20, 2008. Accordingly, the

27 ⁴ Declaration of Romi Mayder in Opp. to OSC Re: Contempt at ¶¶7-8.

1 Court should deny Defendants' Motion To Modify Preliminary Injunction Order as untimely
2 under Rule 59(e).

3 **B. Defendants Fail To Satisfy The Standard For Modification Of The**
4 **Preliminary Injunction Order Pursuant To FRCP 60(b).**

5 Even assuming that Defendants' motion is proper under Rule 60(b), the motion
6 nevertheless fails. Although Defendants never cite Rule 60(b) as the basis for their motion, the
7 Court's Order re: Verigy's Administrative Motion states that Defendants have moved for relief
8 under subsections (2), (5), and (6) of Rule 60(b). (*See* Order re: Verigy's Administrative Motion
9 at 2:15-26.) These subsections allow for relief from a judgment or order based on "(2) newly
10 discovered evidence that, with reasonable diligence, could not have been discovered in time to
11 move for a new trial under Rule 59(b); . . . (5) [evidence that] applying [the judgment]
12 prospectively is no longer equitable; or . . . (6) any other reason that justifies relief." F.R.C.P.
13 60(b)(2), (5), (6).

14 It is well-established that:

15 Relief under Rule 60(b) is extraordinary and may only be granted in
16 exceptional circumstances. *See Yapp v. Excel Corp.*, 186 F.3d 1222,
17 1231 (10th Cir.1999); *Bud Brooks Trucking, Inc. v. Bill Hodges*
18 *Trucking Co., Inc.*, 909 F.2d 1437, 1440 (10th Cir.1990). Like a
19 motion to reconsider, a motion under Rule 60(b) is not a second
20 opportunity for the losing party to make its strongest case, to rehash
21 arguments, or to dress up arguments that previously failed. *See*
22 *Voelkel v. Gen. Motors Corp.*, 846 F.Supp. 1482, 1483 (D.Kan.),
23 *aff'd*, 43 F.3d 1484, 1994 WL 708220 (10th Cir.1994)." *Kustom*
24 *Signals, Inc. v. Applied Concepts, Inc.*, 247 F.Supp.2d 1233, 1235
25 (D. Kan. 2003).

26 Here, rather than offering truly new evidence that could not have been previously produced
27 or demonstrating a genuine change in conditions warranting equitable relief, Defendants attempt
28 to repackage and reframe arguments they made or that they could have, should have, or would
have made if they had different counsel at the time of the original motion. Thus, Defendants fail

5 Plaintiff respectfully disagrees with the Court's finding in its July 23, 2008 Order Re: Verigy's
Administrative Motion that Defendants' Motion To Modify Preliminary Injunction Order was
made under Rule 60(b) of the Federal Rules of Civil Procedure. (Admin. Order at 2:24-26.)

1 to demonstrate the existence of the type of extraordinary and exceptional circumstances that would
 2 justify modification of the Preliminary Injunction Order. Accordingly, Defendants' motion should
 3 be denied and the current preliminary injunction should remain unchanged.

4 **1. *eBay v. MercExchange* Does Not Warrant Modification Of The**
 5 **Preliminary Injunction Order Under Rule 60(b).**

6 In their moving papers, Defendants appear to contend that the case of *eBay, Inc. v.*
 7 *MercExchange, L.L.C.*, 547 U.S. 388 (2006) somehow requires the Court to reevaluate and modify
 8 its Preliminary Injunction Order to provide for a fifteen percent (15%) royalty on all sales of the
 9 [REDACTED] to be escrowed pending trial in lieu of a continued injunction. The *eBay* case and
 10 its holdings, however, do not satisfy any of the grounds for relief set forth under Rule 60(b).

11 **a. The *eBay* Case Is Not New Law.**

12 The *eBay* case, which was decided by the United States Supreme Court in 2006, does not
 13 warrant modification of the preliminary injunction pursuant to Rule 60(b). Even assuming this
 14 case somehow embodies "new law" which it clearly does not, "[i]t is well established . . . that '[a]
 15 change in the law or in the judicial view of an established rule of law is not such an extraordinary
 16 circumstance which justifies relief' under Rule 60(b)." See *Kustom Signals, Inc.*, 247 F.Supp.2d
 17 at 1244 (citing *Collins v. City of Wichita*, 254 F.2d 837, 839 (10th Cir.1958)).

18 **b. The *eBay* Case Is Irrelevant and Immaterial .**

19 The *eBay* case is irrelevant and immaterial in evaluating whether Defendants have satisfied
 20 their burden under Rule 60(b) of demonstrating the existence of newly-discovered evidence or
 21 change in circumstances requiring modification of the injunction going forward. Use of the two
 22 year old *eBay* case as a tool for analysis is simply a way for Defendants to attempt to repackage
 23 and recharacterize arguments that they either made or that they could have made in opposition to
 24 Verigy's motion for preliminary injunction and/or Verigy's contempt motion. This case cannot be
 25 a substitute for a showing that Defendants satisfied the requirements of Rule 60(b).

26 Under subsection (5) of Rule 60(b), relief from an order may be warranted where evidence
 27 shows that applying the judgment prospectively is no longer equitable. Rule 60(b)(5) "does not
 28 allow relitigation of issues that have been resolved by the judgment. Rather, it requires a change

1 in the conditions that makes continued enforcement inequitable.” *De Filippis v. United States.*,
 2 567 F.2d 341, 343-344 (7th Cir. 1977) (citing 11 Wright & Miller, Federal Practice § 2863 (1973)).
 3 A court “must look to the evidence that [the judge] had before him, and determine whether the
 4 circumstances reflected in the evidence have changed to a sufficient degree that equity no longer
 5 favors continuation of the injunction.” *Orantes-Hernandez v. Gonzales*, 504 F.Supp.2d 825, 875
 6 (C.D. Cal. 2007). In deciding whether to modify an injunction, the court must determine “whether
 7 ‘the purposes of the litigation as incorporated in the decree’ have been achieved’); *United States v.*
 8 *Swift & Co.*, 189 F.Supp. 885, 905 (N.D. Ill. 1960) (‘[I]t is only change that reaches the underlying
 9 reasons for the decree that is relevant. Conditions existing at the time of original entry must be
 10 compared with conditions at the time of requested modification, and the significance of the
 11 difference measured in light of these original reasons’), *aff’d*, 367 U.S. 909, 81 S.Ct. 1918, 6
 12 L.Ed.2d 1249 (1961).” *See Orantes*, 504 F.Supp. at 831.

13 Rule 60(b)(2) provides for relief in the case of newly-discovered evidence where the
 14 moving party can demonstrate “(1) that the evidence was discovered after trial; (2) that the party
 15 exercised due diligence to discover the evidence before the end of trial; (3) that the evidence is
 16 material and not merely cumulative or impeaching; and (4) that a new trial considering the
 17 evidence would probably produce a different result.” *McCormack v. Citibank, N.A.*, 100 F.3d 532,
 18 542 (8th Cir. 1996).

19 Here, Defendants meet neither of these standards. Defendants argue, in essence, that the
 20 Preliminary Injunction Order is inequitable and should be modified under the reasoning articulated
 21 in the *eBay* case because Verigy cannot establish irreparable harm as it is not currently offering a
 22 product with the same functionality as Defendants’ [REDACTED] and the public allegedly has an
 23 interest in making use of Defendants’ product. *See* Mot. at 11:5-15:10. Defendants then contend
 24 that escrowing a royalty of 15% on all sales of their product pending trial is a more appropriate
 25 remedy at this time than maintaining the current injunction until trial.

26 This argument is merely an attempt to relitigate the issues underlying Verigy’s motion for
 27 preliminary injunction by trying to frame the issues under the analysis set forth in *eBay*. (*See*
 28 Section III A, *supra*.) The facts and circumstances Defendants rely upon are unchanged since the

injunction was originally issued. In issuing the injunction, the Court was well aware of and considered the fact that Verigy was not offering a product with the same functionality as Defendants' [REDACTED] and that the public might be interested in such a product. *See* Preliminary Injunction Order ("PI Order") at 25:10-14 ("The court has some concern that because Verigy is not selling a comparable product, that the injunction will prevent a useful tool from being available, however it appears from Weber's declaration that other vendors are offering a similar solution to STS, even if that solution is not yet at the same stage of development as the [REDACTED]."). Despite these facts, the Court determined that injunctive relief was appropriate and ordered a five-month injunction. *See* PI Order at 27:5-15. Defendants addressed these issues in their previous briefs and arguments. *See* Section III, A, *Supra*. Defendants present no newly-discovered evidence or changed circumstances demonstrating that the Court should modify the Preliminary Injunction Order to provide for escrow of a 15% royalty in lieu of maintaining the current injunction.

Further, while Defendants appear to contend that the Preliminary Injunction Order was improperly predicated on a presumption of irreparable harm, the Order itself makes clear that a specific finding of the likelihood of irreparable harm was made. The Order states:

Verigy suffers an injury to the extent that STS received a head start on developing a technology that is being sold in a market space that Verigy chose not to enter based on concerns that the fan-out tester would adversely impact its main testing business. Further, because the court concludes that STS's Picasso and [REDACTED] are based upon the trade secret combination of technical components on a single chip set forth above customized with the use of the requirements that were collected under confidentiality obligations from Verigy customers, Verigy has demonstrated that it is likely to suffer irreparable harm.

PI Order at 24:11-20; *see also* PI Order 25:20-22 ("Verigy has also demonstrated the immediate potential of irreparable harm from the defendants' use of trade secret information and technology discussed above in STS products."). Rule 60(b) does not allow Defendants to relitigate the issue of irreparable harm. Accordingly, there is no basis for modifying the current injunction.

c. Defendants' Application Of The Analysis In The *eBay* Case Fails To Demonstrate That The Injunction Should Be Modified.

Even if the Court considers Defendants' analysis under the *eBay* case on its merits, this analysis fails to support vacating the preliminary injunction. The crux of Defendants' argument is that the injunction should be modified because irreparable harm cannot be presumed and an injunction is not an appropriate remedy where monetary damages could adequately compensate the plaintiff. *See* Mot. at 11:7-15:10. However, neither *eBay* nor *Hologic* nor any of the other cases cited in Defendants' opposition⁶ made any sweeping changes to the legal standard for issuance of a preliminary injunction. *Hologic, Inc. v. Senorx, Inc.*, No. C-08-00133RMW, 2008 WL 1860035, at *1 (N.D. Cal. Apr. 25, 2008). As discussed above, the Court utilized this standard in the instant case (PI Order at 6:4-16) and correctly determined that Verigy had demonstrated a likelihood of success on the merits (PI Order at 23:9-24:5), a likelihood of irreparable injury (PI Order at 24:6-24), and that the balance of hardships weighed in Verigy's favor (PI Order at 24:25-25:17). The *eBay* case does not change the Court's analysis.

Further, Defendants have failed to demonstrate the existence of any new facts or circumstances demonstrating that a royalty is a more appropriate remedy than a continued injunction. In the *eBay* case, the District Court determined that a royalty was an appropriate remedy based on evidence that the patent holder, MercExchange, "consistently sought royalties from internet companies interested in utilizing its patents, including eBay, and publicly announced its willingness to license its patents to eBay before, during, and after trial, but it failed to establish that an injunction is necessary to protect its brand name, market share, reputation, goodwill, or

⁶ The remaining cases cited by Defendants for the proposition that irreparable harm cannot be presumed are also inapplicable as none of them involved trade secrets or facts similar to the instant case. *See Foster v. American Machine & Foundry Co.*, 492 F.2d 1317, 1324 (2d Cir. 1974) (in a patent infringement case finding on the facts presented that the balancing of the equities warranted imposition of a compulsory royalty and not issuance of an injunction); *Torspo Hockey Intern., Inc. v. Kor. Hickey Ltd.*, 491 F.Supp. 871, 881 (D. Minn. 2007) (patent infringement case); *MyGym L.L.C. v. Engle*, 2006 U.S. Dist. LEXIS 88375, at *11 (trademark claim); *Paice L.L.C. v. Toyota Motor Corp.*, 2006 U.S. Dist. LEXIS 61598 at * (E.D. Tex. Aug. 16, 2006) (patent infringement case); *The Northern Cheyenne Tribe v. Norton*, 503 F.3d 836 (9th Cir. 2007) (environmental law case); *Reno Air Racing Ass'n v. McCord*, 452 F.3d 1126 (9th Cir. 2006) (Lanham Act case); *Christopher Phelps & Assocs. L.L.C. v. Galloway*, 462 F.3d 532, 543 (4th Cir. 2007) (copyright infringement case); *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F.Supp.2d 1197, 1208-1210 (C.D. Cal. 2007) (copyright case); *z4 Techs., Inc. v. Microsoft Corp.*, 434 F.Supp.2d 437 (E.D. Tex. 2006) (patent infringement case); *Finisar Corp. v. DIRECTV Group, Inc.*, 2006 U.S. Dist. LEXIS 76380 at *4 (E.D. Tex. July 7, 2006) (patent infringement case).

1 future research and development opportunities.” *MercExchange, L.L.C. v. eBay, Inc.*, 500
 2 F.Supp.2d 556, 570 (E.D. Va. 2007). Here, on the other hand, there is no evidence that Verigy has
 3 in the past or is currently willing to accept royalties for unauthorized use of its trade secrets.
 4 Further, the Court in this case concluded that Verigy has demonstrated the necessity of an
 5 injunction to protect its market share. *See* PI Order at 24:11-20.

6 As *eBay* is factually distinct from the present case in several critical areas and did not
 7 change the standard for issuance of preliminary injunctive relief, application of its analysis does
 8 not warrant modification of the preliminary injunction at issue herein.

9 **2. Defendants Have Failed To Demonstrate That The Injunction Should**
 10 **Be Modified To Prevent Inequitable Relief.**

11 Defendants argue that because the Court found that a five-month preliminary injunction
 12 was appropriate to address any “head start” Defendants may have obtained in developing the [REDACTED]
 13 [REDACTED], it would be unfair to allow the injunction to remain in place until trial, or approximately
 14 fifteen months from the date the TRO was issued. Defendants further contend that this continued
 15 injunctive relief is inappropriate because it is greater than any relief Verigy could obtain following
 16 trial. Again, Defendants fail to set forth the type of newly-discovered evidence or “change in the
 17 conditions that makes continued enforcement inequitable” required for relief under Rule 60(b).
 18 *See* F.R.C.P. 60(b)(2), (5); *See De Filippis*, 567 F.2d at 343-344.

19 Defendants offer no support for their assertion that a fifteen-month injunction is greater
 20 than any relief Verigy could obtain following trial. Their cited authority is factually distinct
 21 because it involved a motion for preliminary injunction seeking to prevent a party from submitting
 22 a bid for a public project which, if granted, would have precluded the party from being able to bid
 23 on this project even if the party ultimately succeeded at trial. *American Medical Response v. City*
 24 *of Stockton*, No. CIV5051316DFLPAN, 2005 WL 2269123, at *4 (E.D. Cal. Sept. 16, 2005).
 25 Thus, if the injunction were granted, the moving party would obtain its desired end result
 26 (preventing a potential competitor from bidding) even if it ultimately lost at trial. Here, however,
 27 the Court’s grant of a five-month preliminary injunction is not a finding that this is the sum total
 28 of the relief Verigy could hope to obtain at trial. In light of the Court’s findings that “the [REDACTED]

1 [REDACTED] . . . is substantially based upon Verigy's trade secrets" (PI Order at 23:19-21), that
 2 "Mayder was most likely obligated to assign his work on Picasso up to the date of his departure to
 3 Verigy" under the ARCIPD (PI Order at 18:11-16), and that "features found in Picasso data sheets
 4 or other documentation up to September 2006 are likely to belong to Verigy under the ARCIPD"
 5 (PI Order at 18: 17-18), Verigy could very well obtain permanent injunctive relief and/or an order
 6 that it owns all or a substantial portion of [REDACTED] at trial. Thus, this is not the type of
 7 changed circumstance demonstrating that maintaining the injunction prospectively would be
 8 inequitable.

9 Moreover, Defendants' argument ignores the fact that the primary reason the preliminary
 10 injunction will have been in place for over fifteen months as of the time of trial is the result of
 11 Defendants' own actions in this case. A TRO was issued on August 24, 2007 and extended three
 12 times by stipulation of Defendants' counsel. *See* Mot. at 5:1-5. The injunction issued on February
 13 29, 2008 was to be in place until July 29, 2008 and would have already expired but for
 14 Defendants' actions in contempt of the TRO which resulted in a four-month extension through
 15 November 29, 2008.⁷ Because Defendants played an integral role in the circumstances that led to
 16 the increased duration of the injunction, the fact of the extension does not justify modifying, let
 17 alone vacating, that injunction. *See Valentine Sugars, Inc. v. Sudan*, 34 F.3d 320, 321 (5th Cir.
 18 1994) (denying petition for declaratory judgment seeking relief from prior judgment where "the
 19 change occurred entirely through the actions of [the parties who were] seeking relief from the
 20 judgment. This is not the kind of unforeseen change in circumstances that merits relief from a
 21 judgment."); *see also Pro Edge L.P. v. Gue*, 411 F.Supp.2d 1080, 1092 (N.D. Iowa 2006) (facts
 22 justified extending preliminary injunction past expiration of 1-year covenant not to compete to
 23 protect employer from loss of more customers and stating "[e]quity demands that employees not
 24 be rewarded for breaching the terms of a covenant not to compete").

25 _____
 26 ⁷ Notably, the Court's contempt finding evidences the need for a continued injunction in this
 27 case. *See Orantes*, 504 F.Supp.2d at 875 (holding that "substantial evidence of non-compliance
 28 persuades the court that . . . conditions are not so changed as to warrant dissolution of [specified
 portions] of the . . . injunction.").

1 **3. Defendants Fail To Demonstrate That Public Interest And Equity**
 2 **Require Modification Of The Preliminary Injunction Order.**

3 Defendants' final arguments again center on balancing of the hardships, ignoring the fact
 4 that the Preliminary Injunction Order addressed the balance of hardships and that the Court
 5 specifically considered Defendants' current contention that the equities tip in their favor because
 6 Verigy is not currently selling a product with the same functionality as the [REDACTED] and
 7 that there might be some public interest in such a product. *See* PI Order at 25:3-17; *see also* Mot.
 8 at 16:19-23, 17:10-14, 18:10-15. As these arguments were already considered by the Court and
 9 Defendants fail to demonstrate any new or different facts or circumstances surrounding these
 10 issues, there is no basis for relief under Rule 60(b).

11 Defendants' arguments regarding Verigy's size and resources vis-à-vis Defendants' and
 12 the availability of monetary damages or a reasonable royalty to compensate Verigy are, again,
 13 arguments that Defendants could or should have made at the time of the hearing on the motion for
 14 preliminary injunction. Defendants again fail to demonstrate newly-discovered evidence or the
 15 type of changed conditions or "exceptional circumstances" warranting modification of the
 16 preliminary injunction. *See* F.R.C.P. 60(b)(2), (5); *see also De Filippis*, 567 F.2d at 343-344;
 17 *Kustom Signals, Inc.*, 247 F.Supp.2d at 1235. Moreover, given the state of Defendants' product,
 18 there are, as yet, no revenues from which to pay Verigy any royalties and the prospect of any in
 19 the foreseeable future appears bleak. (*See* Stebbins Decl. Ex. A, B.)

20 Defendants' argument that they were denied the opportunity to read and understand the
 21 TRO also fails to warrant relief under Rule 60(b). *See* Mot. at 17:15-28. Defendants contend they
 22 "were deprived of the ability to understand the full scope and content of the TRO due to Verigy's
 23 designation of crucial exhibits and referenced material as highly confidential material." Mot. at
 24 16:14-16. Defendants state that they were first allowed to view the full, unredacted TRO in June
 25 2008, after entry of the Preliminary Injunction and the Contempt Order. *See* MP at 4:17-24. This
 26 is utter nonsense. The TRO was only ever designated "Confidential" meaning that Defendants
 27 and their counsel could *always* review it. (*See* TRO, Docket No. 22, at Ex. A.) And Mayder
 28 himself gave a detailed analysis (in an earlier declaration opposing the OSC re: Contempt where it

1 was then expedient to make that claim) of the Exhibits cited in the TRO. (*See* Mayder Decl. I/S/O
2 Opp. To Motion for Preliminary Injunction, ¶¶29-31.)

3 Even if Defendants' assertions regarding their ability to read and understand the TRO were
4 not lies, this does not constitute "the existence of newly discovered evidence that, with reasonable
5 diligence, could not have been discovered in time to move for a new trial under [Rule 59\(b\)](#)"
6 warranting relief under Rule 60(b)(2), nor does it constitute the type of changed conditions that
7 warrant relief under Rule 60(b)(5). In fact, there is nothing new about this information and any
8 change in condition as a result of these circumstances was entirely within Defendants' control.
9 *See Valentine Sugars, Inc.*, 34 F.3d at 321 (denying relief from prior judgment where "the change
10 occurred entirely through the actions of [the parties who were] seeking relief from the judgment.")

11 If it were true that Defendants had not read the full TRO because certain portions were
12 designated as highly confidential, this was true at the time the Preliminary Injunction Order and
13 the Contempt Order were entered. If this presented a barrier to Defendants' ability to oppose the
14 preliminary injunction or contempt motion, that issue should have been raised and remedied by
15 their counsel at the time. Indeed, it did not seem to present a barrier, as Defendants principally
16 argued that there were no barriers to their activities and that no injunction or contempt order
17 should issue because the information they took from Verigy and continued using after issuance of
18 the TRO was not deserving of trade secret protection.

19 Defendants' motion also contains assertions about the failures of their former counsel.
20 However, any such failures do not justify relief under Rule 60(b). *See Rodgers v. Wood*, 910 F.2d
21 444, 449 (7th Cir. 1990) ("An attorney's negligent mistake, evincing a lack of due care, is not a
22 proper ground for relief under [Rule 60\(b\)](#). *Western Transp. Co. v. E.I. Du Pont De Nemours*, 682
23 F.2d 1233, 1236 (7th Cir.1982)."). Because Defendants' equity arguments fail to establish a basis
24 for relief pursuant to Rule 60(b), Defendants' motion should be denied.

25 **4. Defendants Are Not Entitled To Relief Under Rule 60(b)(6).**

26 Rule 60(b)(6) applies "only when the reason for granting relief is not covered by any of the
27 other reasons set forth in [Rule 60](#)." *Delay v. Gordon*, 475 F.3d 1039, 1044 (9th Cir. 2007) (citing
28 *Cnty. Dental Servs. v. Tani*, 282 F.3d 1164, 1168 n. 8 (9th Cir.2002)). Here, while their moving

papers fail to state that they are seeking relief under Rule 60(b) or any particular subsection thereof, the thrust of Defendants' argument is that maintaining the current injunction is no longer equitable in light of allegedly newly-discovered evidence and/or changed circumstances. As Defendants' arguments really fall under subsections (2) and (5) of Rule 60(b)(6), Defendants are not entitled to relief pursuant to subsection (6).

Moreover, "[i]t is well established ... that a 'proper case' for Rule 60(b)(6) relief is only one of 'extraordinary circumstances,' or 'extreme hardship.'" *Harris v. United States*, 367 F.3d 74, 81 (2d Cir. 2004) (quoting *United States v. Cirami*, 563 F.2d 26, 32 (2d Cir.1977) (citations omitted)); see also *Cnty. Dental Servs. v. Tani*, 282 F.3d 1164, 1168 (9th Cir.2002) (party seeking relief under Rule 60(b)(6) "must demonstrate both injury and circumstances beyond his control that prevented him from proceeding with the prosecution or defense of the action in a proper fashion."). As discussed above, Defendants' motion for modification is almost entirely a rehashing of settled issues or issues that could have been raised in connection with the motion for preliminary injunction had Defendants been represented by different counsel. There is nothing in the law, facts, or circumstances presented in Defendants' motion evidencing extraordinary circumstances beyond Defendants' control that would justify gutting the current injunction with a never-to-be-funded escrow account. Accordingly, Defendants' motion should be denied.

5. No Relief is Warranted Under Subsections (1), (3), or (4) of Rule 60(b).

Defendants are not entitled to relief pursuant to any of the remaining subsections of Rule 60(b). Pursuant to subsection (1) of Rule 60(b), a party may obtain relief from a judgment or order on the basis of "mistake, inadvertence, surprise, or excusable neglect." Here, the only facts alleged by Defendants that could fit into this category relate to Defendants' alleged misunderstanding of the TRO based on their own actions or inactions, the actions or inactions of their prior counsel, and advice of counsel which Defendants contend led to their violation of the TRO. See Mot. at 3:3-4:3, 4:17-24, 17:15-21 (claiming "they were in fact advised by their former counsel that they could continue to act in the manner that resulted in the contempt finding").

Even assuming Defendants' current factual assertions were true, which they are not, this does not constitute a basis for relief under Rule 60(b)(1). See *Latshaw v. Trainer Wotham & Co.*,

1 452 F.3d 1097, 1101 (9th Cir. 2006) (“We agree that Rule 60(b)(1) is not intended to remedy the
 2 effects of a litigation decision that a party later comes to regret through subsequently-gained
 3 knowledge that corrects the erroneous legal advice of counsel. For purposes of subsection (b)(1),
 4 parties should be bound by and accountable for the deliberate actions of themselves and their
 5 chosen counsel. This includes not only an innocent, albeit careless or negligent, attorney mistake,
 6 but also intentional attorney misconduct. Such mistakes are more appropriately addressed through
 7 malpractice claims.”); *see also* *Cashner v. Freedom Stores, Inc.*, 98 F.3d 572, 576 (10th Cir. 1995)
 8 (“the “mistake” provision in Rule 60(b)(1) provides for the reconsideration of judgments only
 9 where: (1) a party has made an excusable litigation mistake or an attorney in the litigation has
 10 acted without authority from a party, or (2) where the judge has made a substantive mistake of law
 11 or fact in the final judgment or order.”) As stated in *Latshaw*, therefore, Defendants’ remedy may
 12 lie in a malpractice claim against their prior counsel, not modification of the current injunction.

13 Subsection (3) of Rule 60(b) provides for relief from a judgment or order in the case of
 14 “fraud (whether previously called intrinsic or extrinsic), misrepresentation, or misconduct by an
 15 opposing party.” “To merit relief, the complaining party must ‘establish by clear and convincing
 16 evidence (1) that the adverse party engaged in fraud or other misconduct and (2) that this
 17 misconduct prevented the moving party from fully and fairly presenting his case.’ Misconduct
 18 may be shown by evidence that the opposing party withheld information called for by discovery or
 19 willfully committed perjury.” *General Universal Sys., Inc. v. Lee*, 379 F.3d 131, 156-157 (5th Cir.
 20 2004) (quoting *Rozier v. Ford Motor Co.*, 573 F.2d 1332, 1339 (5th Cir.1978)).

21 Here, although the Mayder Declaration complains about a great many things, none of
 22 Defendants’ contentions amount to fraud or misconduct by Verigy or its counsel under Rule
 23 60(b)(3). *See* Declaration of Romi Mayder at 2:7-3:23, 4:11-16 (¶¶5-10, 13). At all relevant times
 24 Defendants were represented by counsel who had the full unredacted TRO. The fact that
 25 Defendants and/or their former counsel may not have taken appropriate steps to ensure that they
 26 understood or complied with the TRO cannot somehow constitute fraud or misconduct by Verigy
 27 or its counsel. If anything, the facts alleged by Defendants may suggest misconduct by their own
 28 prior counsel, the remedy for which is not a motion for modification under Rule 60(b)(3).

Finally, a party may seek relief from a judgment or order where “the judgment is void” pursuant to Subsection (4) of Rule 60(b). A judgment is void under Rule 60(b)(4) “only if the court that rendered it lacked jurisdiction of the subject matter, or of the parties, or if it acted in a manner inconsistent with due process of law.” *Grace v. Bank Leumi Trust Co. of NY*, 443 F.3d 180, 193 (2d Cir. 2006) (quoting *In re Texlon Corp.*, 596 F.2d 1092, 1099 (2d Cir.1979)) (judgment void under Rule 60(b)(4) where court allowed a corporation, acting through one of its shareholder and officers who was not an attorney, to execute a stipulation of settlement for an excessive judgment while appearing *pro se*). Here, Defendants argue a lack of due process based on the assertion they were not served with the full unredacted TRO and, therefore, they did not understand it. Again, there is no legitimate basis for these assertions, nor is this a proper basis for under Rule 60(b)(4).

As Defendants have failed to demonstrate their entitlement to relief pursuant to any subsection of Rule 60(b), their motion should be denied and the preliminary injunction should remain in place.

C. Defendants Are Not Entitled to Summary Adjudication on Verigy’s Ninth Claim for Relief for Violation of the Lanham Act §43(a).

Defendants contend, as a matter of law, that Verigy’s Ninth Claim for Relief does not give rise to a viable Lanham Act claim because Verigy must, but cannot, show “that it has created a product that Defendants have treated as their own by removing any Verigy designation as the source of origin and replacing it with their own.” Mot. at p.8 (emphasis in original). This contention is incorrect for the two reasons discussed below.

1. Verigy’s False Advertising Claim Does Not Require Bodily Appropriation

Verigy’s Ninth Claim for Relief alleges that Defendants violated Section 43(a) of the Lanham Act in two distinct ways. First, Verigy alleges Defendants falsely designated themselves as the sole source of origin of the Verigy Project, which is incorporated in Defendants’ product. (Complaint, ¶ 86.) In effect, Verigy claims that defendants were guilty of “reverse palming off.” Second, Verigy also alleges that defendants have engaged in *false advertising* by falsely

1 representing on the STS website at www.silicontests.com, and in correspondence and
 2 presentations to certain potential customers that they “have invented a new paradigm for
 3 substantially increasing parallelism of ATE test cells.” (Complaint, ¶ 87).

4 Section 43(a) of the Lanham Act provides:

5 (1) Any person who, on or in connection with any goods or services, or any
 6 container for goods, uses in commerce any word, term, name, symbol, or device,
 7 or any combination thereof, or any false designation of origin, false or misleading
 8 description of fact, or false or misleading representation of fact, which –

9 (A) is likely to cause confusion, or to cause mistake, or to deceive as to
 10 the affiliation, connection, or association of such person with another person, or
 11 as to the origin, sponsorship, or approval of his or her goods, services, or
 12 commercial activities by another person, or

13 (B) in commercial advertising or promotion, misrepresents the nature,
 14 characteristics, qualities, or geographic origin of his or her or another person’s
 15 goods, services, or commercial activities,

16 shall be liable in civil action by any person who believes that he or she is or is
 17 likely to be damaged by such act.

18 15 U.S.C. § 1125(a). “The Lanham Act was intended to make ‘actionable the deceptive and
 19 misleading use of marks,’ and ‘to protect persons engaged in . . . commerce against unfair
 20 competition.’” *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28 (2003). “15
 21 U.S.C. § 1125(a) [Section 43(a) of the Lanham Act] is one of the few provisions that goes beyond
 22 trademark protection.” *Id.*

23 “The Lanham Act applies to two different types of unfair competition in interstate
 24 commerce. The first is ‘palming off’ or ‘passing off,’⁸ which involves selling a good or service of
 25 one person’s creation under the name or mark of another. [citation] Section 43(a) also reaches
 26 false advertising about the goods or services of the advertiser.” *Lamothe v. Atlantic Recording*

27 ⁸ “Section 43(a) also encompasses merchandising ‘practices or conduct ‘economically
 28 equivalent to palming off.’” *See Lamothe*, 847 F.2d at 1406. “Among these practices is
 ‘reverse passing off, which may be either ‘express’ or ‘implied.’ Express reverse passing off is
 ‘accomplished . . . when the wrongdoer removes the name or trademark on another party’s product
 and sells the product under a name chosen by the wrongdoer.’ [citation] Implied reverse passing
 off is accomplished simply by removing or obliterating the name of the source and selling the
 product in an unbranded state.” *Id.*

1 *Corp.*, 847 F.2d 1403, 1406 (9th Cir. 1988).⁹ “These two ‘prongs’ of section 43(a) developed
 2 somewhat separately and have achieved their own sub-set of substantive rules.” McCarthy,
 3 “Lanham Act § 43(a): The Sleeping Giant is Now Wide Awake,” 59 *SPG Law & Contemp.*
 4 *Probs.* 45, 52 (1996).

5 In this case, Verigy has asserted *both* types of unfair competition. Defendants’ motion for
 6 summary adjudication addresses only Verigy’s reverse palming off claim and *not* its false
 7 advertising claim, which is based on different essential elements. As such, the motion necessarily
 8 fails in satisfying Defendants’ initial burden of showing the absence of genuine issues of material
 9 fact to be tried, and summary adjudication of this claim should therefore be denied.¹⁰

10 The elements of a false advertising claim under Section 43(a) are as follows:

- 11 1) in its ... advertisements, defendant made false statements of fact about its own
 12 [or another’s] product;
- 13 2) those advertisements actually deceived or have the tendency to deceive a
 14 substantial segment of their audience;
- 15 3) such deception is material, in that it is likely to influence the purchasing
 16 decision;
- 17 4) defendant caused its falsely advertised goods to enter interstate commerce; and
 18 5) plaintiff has been or is likely to be injured as the result of the foregoing either by
 direct diversion of sales from itself to defendant, or by lessening of the good will
 which its products enjoy with the buying public.

19 *Cook, Perkiss and Liehe, Inc. v. Northern California Collection Service Inc.*, 911 F.2d 242, 244
 20 (9th Cir. 1990); *see also, Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir.
 21 1997). The first element is satisfied by showing a “false or misleading representation of fact.”
 22 *Coastal Abstract Service, Inc. v. First American Title Ins. Co.*, 173 F.3d 725, 730 (9th Cir. 1999).
 23 Here, as contained in the evidence set forth in support of Verigy’s motion for preliminary

24 _____
 25 ⁹ In *Lamothe*, the Ninth Circuit “conclude[d] that [plaintiffs], for purposes of surviving a
 26 motion for summary judgment, ha[d] produced evidence satisfying the elements of a ‘reverse
 passing off’ claim, [so the court] need[ed] not decide whether the defendants’ actions also
 constitute[d] false advertising.” *See Lamothe*, 847 F.2d at 1406.

27 ¹⁰ As Defendants did not address the false advertising claim in their opening brief, any
 arguments Defendants might have raised “are deemed waived,” and cannot be raised in their reply.
 28 *United States v. Romm*, 455 F.3d 990, 997 (9th Cir. 2006).

injunction, Defendants falsely represented on the STS website that they had invented a new paradigm for increased parallelism of ATE test cells. (*See*, Morton Decl. I/S/O Prelim. Inj., ¶11 & Ex. F) (Docket No. 10). In fact, as described in Defendants’ website, the STS products appear to perform the same function as Verigy’s trade secret project designs, thereby misappropriating Verigy’s technology. (Leventhal Decl. I/S/O Prelim. Inj., ¶21) (Docket No. 9). Because Defendants’ product is derived from Verigy’s trade secrets, Defendants’ “invention” was not theirs to claim and Defendants’ advertising on the STS website was false and misleading. As a matter of law, there is no requirement that Verigy establish it reduced its technology to product form as an essential element of its false advertising claim. Accordingly, summary adjudication of Verigy’s Ninth Claim for Relief is inappropriate and should be denied.

2. Defendants’ Relabeling of Verigy’s Specification As Their Own Constitutes Bodily Appropriation Within The Meaning Of The Lanham Act.

The undisputed evidence in this case demonstrates that Defendants misappropriated Verigy’s specification and, with only nominal alteration, put their name on it and passed it off as their own to approach Honeywell and also solicit interest from potential customers. (*See* Morton Decl. in Opp. To Motion for Summary Adjudication on claims 3-5, Ex. B, “Morton Decl., Aug. 15, 2008.”) This is a classic case of reverse palming off under the Lanham Act, similar to cases involving architectural drawings, designs, and patterns.

In their motion for summary adjudication of Verigy’s Ninth Claim for Relief, Defendants argue that Verigy cannot establish bodily appropriation under the Lanham Act because Verigy cannot show that “it has created a *product* that Defendants have treated as their own by removing any Verigy designation as the source of origin and replacing it with their own.” Mot. at 8:3-7 (emphasis in original). Defendants’ motion does not discuss the evidence in this case, but, instead, relies on the allegations in Verigy’s Complaint that “defendants have falsely designated themselves as the source of origin of the Verigy Project which is incorporated, in whole or in part, within the STS device.” Mot. at 7:26-28. Defendants claim that what Verigy alleges, in essence, is that Defendants took its research and development and incorporated it into a final product of their own which is not actionable under the Lanham Act. The undisputed material facts

1 demonstrate, however, that Defendants took Verigy's specification, effectively relabeled it as their
2 own and used it to solicit interest from potential customers. (See, e.g., Morton Decl., Aug. 15,
3 2008, Ex. B.) At the time of that misappropriation in June 2006, Defendants' current ASIC did
4 not yet exist, and, thus, the only tangible good Defendants had to market to customers was the
5 specification embodied in the [REDACTED] RFQ that Mayder copied with nominal alteration.

6 Defendants base their "bodily appropriation" argument on *Dastar*, *Supra* 539 U.S. 23.
7 *Dastar* involved a party who took a creative work, specifically, a television series which was in
8 the public domain, modified it, and produced their own series of videotapes. The plaintiff, who
9 had originally produced the television series, contended that defendant had violated the Lanham
10 Act by passing off the television series as its own. The Supreme Court determined that a claim for
11 violation of the Lanham Act did not lie because the plaintiff was not the "origin" of the work,
12 stating that "origin" in the context of the Lanham Act "refers to the producer of the tangible goods
13 that are offered for sale, and not to the author of any idea, concept or communication embodied in
14 those goods." *Id.* at 37.

15 *Dastar* is distinguishable from the case at hand because the defendant in *Dastar* was the
16 actual producer of the videotapes being offered for sale in the marketplace; it did not simply put a
17 new label on plaintiff's videotapes and attempt to market them as its own. Here, on the other
18 hand, Defendants engaged in a classic Lanham Act violation by doing little more than putting their
19 name on Verigy's specification and using it to attempt to solicit interest and orders from potential
20 customers.

21 This situation is analogous to Lanham Act cases involving architectural designs and
22 patterns. For example, in a case in which an architect was found to have taken another architect's
23 draft plans and simply relabeled them as his own, the Sixth Circuit found the Lanham Act
24 violation to be obvious and fundamental, stating:

25 [I] is obvious beyond dispute that by taking [plaintiff's] name and seal off of the
26 plans and replacing them with his own, [defendant] intended for people to assume
27 that the plans were his, and not [plaintiff's]. Indeed, this Court is hard-pressed to
28 imagine what effect these actions could possibly have other than to convince
anyone who looked at the plans that they were [defendant's] work. Few are the
cases demonstrating a more obvious and imminent likelihood of confusion.

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2 *Johnson v. Jones*, 149 F.3d 494, 503 (6th Cir. 1998); *see also Tiseo Architects, Inc. v. SSOE, Inc.*,
3 431 F.Supp.2d 735 (E.D. Mich. 2006) (holding that defendants made a false designation of origin
4 under the Lanham Act where they represented designs of a grocery store to be their own work and
5 failed to attribute the work to plaintiff).

6 In a recent decision of the United States District Court for the Eastern District of
7 California, the court found that plaintiff had sufficiently alleged a claim under the Lanham Act
8 where plaintiff alleged that defendant “misappropriated GNI Waterman's patterns, used those
9 proprietary patterns to manufacture identical products, and stamped AM Valve's logo to attempt to
10 pass them off as AM Valve's own products.” *GNI Waterman LLC v. A/M Valve Company LLC*,
11 No. CV F 07-0863 LJO TAG, 2007 WL 2669503, at *5 (E.D. Cal. Sept. 7, 2007). Here, as in *GNI*
12 *Waterman*, it is undisputed that Defendants misappropriated Verigy’s design specification,
13 effectively relabeled it as their own, and used it to solicit sales from potential customers as if the
14 specifications were their own.

15 As the undisputed evidence in this case actually does establish bodily appropriation of
16 Verigy’s specification, there is at least a material issue of fact such that Defendants’ motion for
17 summary adjudication of Verigy’s Lanham Act claim should be denied.

18 **D. Defendants Are Not Entitled To An Order Summarily Adjudicating That**
19 **“Information Contained In Published Patents Or Patent Applications Cannot**
20 **Constitute Trade Secrets.”**

21 With little evidence, analysis or explanation, Defendants ask the court to issue a blanket
22 order summarily adjudicating that “as a matter of law, material contained in a public patent or
23 patent application cannot constitute trade secrets of Verigy, and that none of the information
24 contained in the patents and patent applications submitted to the Court in connection with this
25 motion, through the Declaration of Dr. Richard Blanchard and the exhibits thereto, can constitute
26 trade secrets of Verigy.” (Mot. at p.10). Defendants’ obtuse and overbroad request should be
27 rejected because *at the time of* Defendants’ misappropriation of Verigy’s trade secrets, the various
28 references had not yet been published. As such, even if these references disclosed Verigy’s trade

1 secrets at issue in this lawsuit, which they do not, those trade secrets were still secret when they
2 were misappropriated. (Wei Decl. at ¶17.)

3 Of the 21 patents and patent applications attached to the New Blanchard Declaration, all –
4 except one, Exhibit W – were published *after* June 2006, and thus well *after* Mayder’s
5 misappropriation. Axiomatically, liability for misappropriation is not absolved by potential
6 publication of trade secrets *after* the date of the misappropriation. Preliminary Injunction Order
7 (Docket No. 171 at p.13).¹¹ Thus, at the time Mayder misappropriated Verigy’s trade secrets in
8 the middle of 2006, the references had not been published.

9 There is no legal support for Defendants’ position because the cases cited in their motion
10 are inapt and apply only in situations where the owner of a trade secret, having had a patent issued
11 and published, itself prospectively asserts trade secret protection over the information in a
12 previously published patent. The law says that in such situations, the owner of the patent only has
13 protection under the patent law, but not under the UTSA. That is simply not the situation that
14 exists in this case.

15 Further, Defendant’s motion is devoid of any analysis whatsoever regarding the Verigy
16 trade secrets that are allegedly published in the references attached to the New Blanchard
17 Declaration. There is no attempt to identify, explain or analyze those trade secrets in light of any
18 of the references (or vice versa) or to point out which portion of the reference purportedly applies
19 to or discloses which trade secret. (See Wei Decl. at ¶4.) All that exists is the blanket,
20 unsupported inference that there is some disclosure or publication and the naked request that, “as a
21 matter of law, material contained in a public patent or patent application cannot constitute trade
22 secrets.” As presented, Defendants’ request is tantamount to asking for an advisory opinion in a
23 legal and factual vacuum. In light of Defendants’ showing, there is no way the Court can or

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25 ¹¹ With respect to the one patent published *before* June 2006, namely the ‘677 Patent (Exhibit
26 W to the Blanchard Decl.), this patent does not embody an alleged Verigy trade secret. (See,
27 Declaration of Wei Wei in Opposition to Defendants’ Motion for Summary Adjudication and
28 Motion to Modify Preliminary Injunction Order, (“Wei Decl.”) ¶¶ 11 & 14-15.)

1 should issue such a ruling and Defendants' motion for summary adjudication of this issue should
2 be denied.¹²

3 **IV. CONCLUSION**

4 For the foregoing reasons, Verigy respectfully requests that the Court deny Defendants' (a)
5 motion for modification of the preliminary injunction, (b) motion for summary adjudication of
6 Verigy's Ninth Claim for Relief under Section 43(a) of the Lanham Act, and (c) motion for
7 summary adjudication of Verigy's misappropriation of trade secrets claim for relief insofar as the
8 trade secrets were published in patent applications and/or patents after the misappropriation took
9 place.

10
11
12 Dated: August 15, 2008

BERGESON, LLP

13
14 By: _____/s/

Michael W. Stebbins

15 Attorneys for Plaintiff
16 VERIGY US, INC.

17
18 _____
19 ¹² Further, despite Defendants' claims that Verigy's claimed trade secret is obvious and in the
20 public domain, as discussed in the Wei Decl., Mayder obtained a patent on this very technology
21 that was issued in March 2008, thus demonstrating that the USPTO considers this technology
22 patentable and non-obvious. (See Wei Decl., at ¶¶27-30.)
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